



United States  
Department of  
Agriculture

Rural  
Housing  
Service

**Oregon AN No. 12371980)**

101 SW Main, Suite 1410  
Portland, OR 97204-3222  
PHONE: (503) 414-3335  
FAX: (503) 414-3394  
Office Hours 8:00 am - 4:30 PM

August 27, 2002

**SUBJECT:** Guaranteed Rural Housing (GRH) Program  
Agency Review of Closing Documents

**TO:** Rural Development Managers  
Rural Development  
Oregon

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to provide guidance on the Agency review of closing documents, and issuance of Loan Note Guarantee.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces Oregon AN 1203(1980) issued March 15, 2001.

**IMPLEMENTATION RESPONSIBILITIES:**

***I. Conditional Commitment for Loan Guarantee:***

Form RD 1980-18, "Conditional Commitment for Single Family Housing Loan Guarantee," sets the conditions of loan guarantee approval. Commitments are valid for 90 days from the date of issuance. In accordance with Section 1980.354(a)(1)(ii) of RD Instruction 1980-D, the lender may request the Agency to extend the conditional commitment for one additional 90 day period if the lender has been unable to close the loan due to circumstances beyond its control, such as construction delays. Approved extensions must be granted in writing with the signature of an approval official. Extensions typically should not be granted after loan closing. The web Guaranteed Loan System (GLS) must be updated when an extension is granted.

Since the lender is typically in a position to issue final approval upon receipt of a commitment, the Agency expects to issue the loan note guarantee prior to the date of expiration of the commitment.

**EXPIRATION DATE:**  
August 30, 2003

**FILING INSTRUCTIONS:**  
Proceeding RD Instruction 1980-D

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Complaints of discrimination should be sent to:  
USDA, Director, Office of Civil Rights, Washington, DC 20250-9410

Within 30 days after loan closing, the lender should request issuance of the loan note guarantee using Form RD 1980-19, "Guaranteed Loan Closing Report." At the same time, the lender must submit documentation that the loan was properly closed and pay the loan guarantee fee. A Loan Note Guarantee will not be issued if the account is in default. Validate the account is current and has an agreeable payment history by requesting a Mortgage Loan History outlining payments due and paid.

## **II. Agency Review of Loan Closing:**

### **A. Review of Closing Documents**

The Agency will review Form RD 1980-19, "Guaranteed Loan Closing Report" and the required loan closing documents received from the lender. The review insures that all closing documents are completed and the lender has certified that all required conditions to the commitment have been satisfied. A review of closing documents typically determines that the documents are acceptable, incomplete or unacceptable.

#### **1. Acceptable Closing Documents**

If all closing documents are acceptable, the Agency will proceed to issue the loan note guarantee by preparing Form RD 1980-17, "Loan Note Guarantee." Process the guarantee fee paid to the wholesale lockbox and enter the closing information into the Guaranteed Loan Servicing system at the NITC Televue menu. Forward the Loan Note Guarantee to the lender, retaining a conformed copy in the borrower's case file.

#### **2. Incomplete Closing Documents**

If the Agency review determines that the closing documentation is incomplete, or that there are minor, correctable errors in the loan closing documents, the lender may be granted up to 30 days to correct the situation. Notify the lender of incomplete packages by telephone or fax to alert them. By letter, identify in detail the necessary corrections and/or items necessary to issue a guarantee. Establish a time frame for receipt of 30 days. Return the guarantee fee with notification of the incomplete package. Validate the correct address/branch the fee and notification should be sent to. If the complete information is not resubmitted within the 30 days provided to the lender, the Conditional Commitment would not be honored if the account were in default.

#### **3. Unacceptable Closing Documents**

A loan note guarantee cannot be issued if there are any significant errors in the closing documents, or if the loan does not meet all program requirements. For example - if the lender failed to obtain first lien position, the loan will not qualify for a guarantee. The guarantee also will not be issued in the event that the borrower receives cash back at closing in excess of the amount the borrower paid out of personal funds for costs such as earnest money, credit report, or an appraisal.

If it is determined that the loan note guarantee cannot be issued, the Agency will notify the lender of the reasons, and inform the lender of all review and appeal rights.

Exhibit A to this AN will be used to record your closing review. File this review in position 2 of the borrower's case file.

**III. Agency Monitoring:**

The web GLS can be utilized as a resource tool to assist offices in monitoring the receipt of loan closing documents within the 90-day commitment period by requesting specific reports from the reports menu. Offices are encouraged to establish an internal system for follow-up and notification to the lender of pending receipt of documentation if the web GLS is not utilized. On occasion, a lender may fail to submit closing documents within the commitment period. As customer service, the Agency will notify the lender in writing providing them an additional 30 days to respond with a closing package indicating the commitment will be honored provided adequate documentation can be obtained to validate the mortgage loan has remained current since loan closing.

Simultaneously with your notice of 30 days, request a Mortgage Loan history for validation the account is current. Inform the lender of all review and appeal rights. Post a follow-up for receipt of closing documents for 30 days. Open communication between the lender and the Agency is a key component.

If you have any questions regarding this Administrative Notice (AN), please feel free to contact Single Family Housing at (503) 414-3335.



LYNN SCHOESSLER  
State Director

Attachment



## AGENCY REVIEW OF CLOSING DOCUMENTS

Date Closing Documents Received: \_\_\_\_\_

Date Closing Documents Reviewed: \_\_\_\_\_

### I. Borrower and Loan Information

Borrower Name: \_\_\_\_\_ Co-Borrower Name: \_\_\_\_\_

Property Address: \_\_\_\_\_ Lender: \_\_\_\_\_

			Yes	No
Amount of Loan:	\$	Same as commitment?		
Interest Rate:	%	Same as commitment?		
Guarantee Fee:	\$	Correct amount?		

### II. Review by Loan Approval Official

*The following items have been reviewed as part of the lender's request for commitment for loan guarantee. My review and approval acknowledges confirmation that the loan guarantee request meets program requirements.*

X	CLOSING DOCUMENTS REVIEWED
<input type="checkbox"/>	Form RD 1980-19, "Guaranteed Loan Closing Report". Validate Lender's ID #, branch, address, etc.
<input type="checkbox"/>	Lender Certification - Form RD 1980-18, "Conditional Commitment for SFH Loan Guarantee" - page 2 - complete with information and signature of lender.
<input type="checkbox"/>	Promissory Note. Confirm Promissory Note date is closing date on Form RD 1980-19.
<input type="checkbox"/>	Deed of Trust
<input type="checkbox"/>	HUD-1, Final Settlement Statement
<input type="checkbox"/>	Conditions to Commitment
<input type="checkbox"/>	"Lender Record Change" - Form 1980-11, if applicable

### Review Comments:

☐ Acceptable Closing Documents    ☐ Incomplete Closing Documents    ☐ Unacceptable Closing Documents

*Conditions that have not been met and require further action (prepare written notification):*

### REVIEW CERTIFICATION:

Approval Official - Rural Development \_\_\_\_\_

Date \_\_\_\_\_

**III. Agency Issuance of Loan Note Guarantee**

Once the Loan Approval Official determines that the closing documents are acceptable, the Agency must issue Form 1980-17, "Loan Note Guarantee" and perform the following actions:

<b>X</b>	<b>ISSUANCE OF LOAN NOTE GUARANTEE ACTIONS</b>
<input type="checkbox"/>	Complete items 38 through 40, 43 and 44 of Form RD 1980-19, "Guaranteed Loan Closing Report". Have the loan approval official execute item 42. File position 2 of case file.
<input type="checkbox"/>	Prepare Form 1980-17, "Loan Note Guarantee" - original and two copies [fillable form in GLS]. Obtain Loan Approval signature. Original and one copy to lender. Retain one conformed copy for Agency's case file. File position 5 of case file.
<input type="checkbox"/>	Prepare closing transmittal letter [fillable letter in GLS]. Transmit to lender along with original and one copy of 1980-17. Retain copy - file position 4.
<input type="checkbox"/>	Record guarantee fee on Form RD 451-2, "Schedule of Remittances". Prepare Form 1951-60, "Field Office Remittance Reconciliation Report" and Form 1951-49, "Register of Collections". Forward fee to wholesale lockbox along with transmittal documents. Retain copies of 451-2, 1951-60 and copy of fee check in case file - position 5.
<input type="checkbox"/>	Validate information (TIN#, branch #, correct servicing address/branch, holder) on Form 1980-11, "Lender Record Change" and forward to FC-350, DCFO. Indicate transmittal date upper right hand corner. Retain copy - position 2.
<input type="checkbox"/>	Perform automated loan closing transaction by accessing the Guaranteed Loan Servicing Menu of NITC Teleview. Select "Add Loan" - Option 5 from the menu and establish a loan record for SFH guaranteed loans obligated in GLS. Once completed and entered, print the screen when a "create successful" is indicated on the bottom of the screen and file in position 2 of the case folder.
<input type="checkbox"/>	Set-up file with stack.
<input type="checkbox"/>	The following day after inputting the closing transaction confirm transaction processed in the Guaranteed Loan Servicing by printing a "View Loan Detail" screen - file position 2. It is also highly recommended that offices check the web GLS to confirm the loan in GLS has updated to "closed" status.
<input type="checkbox"/>	Forward file to State Office - Single Family Housing. To track files, e-mail Faith Harris, Single Family Housing @ <a href="mailto:faith.harris@or.usda.gov">faith.harris@or.usda.gov</a> indicating the names of files to be received. It is recommended offices maintain a record system for forwarded GRH files.